

FRASER

1972 Annual Report

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MAR 23 1973

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

†E. R. ALEXANDER
RALPH B. BRENAN*
KENNETH V. COX
†H. ROY CRABTREE*
JOHN E. L. DUQUET
†A. A. FRANCK*
DAVID J. HENNIGAR
†JOHN J. JODREY
A. L. PENHALE*
†C. R. RECOR*
FRANK H. SOBEY*
EDWARD C. WOOD*

HONORARY DIRECTORS

AUBREY CRABTREE
L. M. SHERWOOD

* Member of Executive Committee
H. Roy Crabtree—Chairman
† Member of Finance Committee
E. R. Alexander—Chairman

OFFICERS

H. ROY CRABTREE
Chairman of the Board
C. R. RECOR
President
RALPH B. BRENAN
Senior Vice President
M. J. ROACH
Executive Vice President-Operations
D. E. YORK
Executive Vice President-Finance
J. K. BARRY
Vice President-Marketing
P. M. BELYEA
Vice President-Woodlands
R. B. FORBES
Vice President-Purchasing and Traffic
B. W. HICKS
Vice President and Secretary
R. V. OSBORN
Vice President-Sales
Fraser Paper, Limited
H. H. VALLETTE, JR.
Vice President-Marketing and Planning
Fraser Paper, Limited
H. M. LOGAN
Treasurer
M. B. ROBINSON
Controller
H. P. HIERLIHY
Assistant Treasurer
K. L. SEELY
Assistant Controller

DIRECTORS' REPORT TO THE SHAREHOLDERS

We submit herewith the Annual Report of your Company for 1972, together with the Consolidated Financial Statements for the year with comparable figures for 1971 and the report of your auditors.

The effects of the disruptive strike in 1971 at the Madawaska, Maine paper mills carried over into 1972. Because of this strike a comparison between these two years is not meaningful.

Sales in the first quarter of the year were only \$17,656,000 and produced a net loss of 28¢ per share. The loss in the second quarter amounted to 24¢ per share. In the third quarter the loss was 3¢ per share, while operations in the fourth quarter produced a profit of 23¢ per share on sales of \$23,954,000.

The net loss for the year was \$751,000 or 32¢ per share on sales of \$90,926,000.

These sales of \$90,926,000 are almost equal to the record sales of \$91,327,000 achieved in 1969, the last year the Newcastle pulp mill was operated by the Company.

The net loss for 1971 was \$4,856,000 or \$2.08 per share on sales of \$62,639,000.

The Atholville pulp mill operated 257 days in 1972. This poor operating rate, brought about by world conditions in the wood pulp industry with attendant low selling prices, adversely affected profits by approximately \$1,500,000.

The lumber market was strong and shipments were a record 57,200 M f.b.m. It is planned to build another facility for the manufacture of dressed kiln dried lumber and chips at Plaster Rock, New Brunswick, with the assistance of a grant from the Department of Regional Economic Expansion. This new mill is expected to be in operation by the end of 1973 and your Company will then be able to produce approximately 90,000 M f.b.m. annually.

During 1972 the Canadian dollar broke through par with the U.S. dollar in March, traded as high as \$1.03 U.S. in early June, and then drifted down to a little over par by year end. The net result was a reduction in earnings of approximately 11¢ per share.

A dividend of 10¢ per share was paid on December 28, 1972.

The funded debt was reduced during the year by \$810,000 and short-term debt of \$7,882,000 was completely repaid.

The net additions and improvements to plants and properties amounted to \$1,848,000. The major item was the completion of the new large Primary and Secondary Effluent Treatment System at Edmundston. This system, which took two years to build, cost approximately \$4,100,000 partially financed by Government grants, and was officially started up on December 8th.

The continuing efforts to improve the environment include projects presently underway to reduce loss of solids and reduction

of water usage by internal treatment such as flotation savealls, and increased screening and reuse of water.

Capital expenditures during 1973 are projected to be approximately \$7,000,000, the major item being construction of the new sawmill at Plaster Rock.

Negotiations have been concluded with the Quebec Government in connection with their acquisition of our timber limits, freehold lands and improvements in that Province. The agreement on the amount of compensation to be paid in respect of the value of the acquired properties is awaiting ratification by the Government of the Province. (See Note 6 to the Consolidated Financial Statements.)

The progressive and encouraging performance during the year, while assisted by the positive developments in the paper, paperboard and lumber segments of your Company's business, would not have been possible without the whole-hearted support and efforts of our employees with a resultant improvement in efficiencies.

The prospects for the paper, paperboard and lumber segments continue bright.

It now appears that the supply and demand situation in the pulp industry is approaching a better balance. Your Company's performance in this segment in 1973 should be substantially better

than that of 1972, although in common with other Eastern Canadian pulp manufacturers, your Company is experiencing difficulties in obtaining sufficient woods labour which is an unusual problem in a time of high unemployment.

Messrs. J. J. Jodrey, A. L. Penhale and Edward C. Wood have decided not to stand for re-election as Directors at the Annual Meeting. Mr. Penhale has been a Director since 1960 and a Member of the Executive Committee for 10 years. Mr. Wood was a Member of the Board and of the Executive Committee for 5 years. Mr. Jodrey served as a Director since 1971. The broad experience of these gentlemen was of great value to the Company and their advice and support will be missed.

It is proposed that the number of Directors be reduced from 12 to 9.

Submitted on behalf of the Board of Directors.

H. Roy Crabtree
Chairman

C. R. Recor
President

February 20, 1973

FRASER COMPANIES, LIMITED AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 1972	Year Ended January 1, 1972
Net sales	\$90,926,000	\$62,639,000
Cost of sales	81,119,000	62,387,000
Depreciation and depletion	6,233,000	5,211,000
Selling, general and administrative expense	4,450,000	5,244,000
	<u>91,802,000</u>	<u>72,842,000</u>
	(876,000)	(10,203,000)
Other income (expense):		
Interest income	59,000	654,000
Pre-production and start-up expense	—	(545,000)
Interest on long-term debt	(583,000)	(622,000)
Miscellaneous—net	(36,000)	212,000
	<u>(560,000)</u>	<u>(301,000)</u>
Loss before taxes	(1,436,000)	(10,504,000)
Taxes on income—Note 2	(685,000)	(5,648,000)
Loss for the year	<u>\$ (751,000)</u>	<u>\$ (4,856,000)</u>
Per common share	<u>\$ (.32)</u>	<u>\$ (2.08)</u>

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Balance at beginning of year	\$62,648,000	\$67,854,000
Net results for the year	(751,000)	(4,856,000)
	<u>61,897,000</u>	<u>62,998,000</u>
Dividends	233,000	350,000
Balance at end of year	<u>\$61,664,000</u>	<u>\$62,648,000</u>

CONSOLIDATED BALANCE SHEETS

	<u>December 31, 1972</u>	<u>January 1, 1972</u>
ASSETS		
CURRENT:		
Cash	\$ 323,000	\$ 41,000
Accounts receivable	10,636,000	7,950,000
Income taxes recoverable	623,000	846,000
Inventories—Note 4	9,489,000	12,549,000
Prepaid insurance	156,000	185,000
TOTAL CURRENT ASSETS	21,227,000	21,571,000
 DUE UNDER THE STOCK PURCHASE PLAN—Note 5	 504,000	 900,000
 FIXED ASSETS—Note 6	 73,336,000	 77,720,000
	 \$95,067,000	 \$100,191,000

	December 31, 1972	January 1, 1972
LIABILITIES		
CURRENT:		
Bank indebtedness	\$ —	\$ 7,882,000
Accounts payable and accruals	8,736,000	5,974,000
Bonds due within one year	750,000	750,000
TOTAL CURRENT LIABILITIES	9,486,000	14,606,000
FIRST MORTGAGE AND COLLATERAL TRUST BONDS:		
5½% Series due 1974/1987 (U.S. \$10,500,000)	11,339,000	12,149,000
DEFERRED TAXES ON INCOME	1,710,000	2,427,000
PAYMENTS ON ACCOUNT FOR EXPROPRIATION OF TIMBER LIMITS—Note 7	5,087,000	2,587,000
SHAREHOLDERS' EQUITY		
Common shares without nominal or par value:		
Authorized—3,000,000 shares		
Issued —2,334,802 shares	5,781,000	5,774,000
Retained earnings—Note 8	61,664,000	62,648,000
	67,445,000	68,422,000
	\$95,067,000	\$100,191,000

On behalf of the Board:

H. Roy Crabtree, Director

C. R. Recor, Director

CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

	Year Ended December 31, 1972	Year Ended January 1, 1972
SOURCE		
Operations		
Loss from operations	\$ (751,000)	\$(4,856,000)
Depreciation and depletion	6,233,000	5,211,000
Deferred taxes on income	<u>(717,000)</u>	<u>(4,704,000)</u>
Cash flow from operations	4,765,000	(4,349,000)
Payments on account for expropriation of timber limits	2,500,000	1,427,000
Received from the stock purchase plan	<u>402,000</u>	<u>166,000</u>
	<u><u>\$7,667,000</u></u>	<u><u>\$(2,756,000)</u></u>
APPLICATION		
Net additions and improvements to plants and properties	\$1,848,000	\$14,724,000
Bonds redeemed	810,000	810,000
Dividends	<u>233,000</u>	<u>350,000</u>
	<u><u>2,891,000</u></u>	<u><u>15,884,000</u></u>
Working capital increased (decreased)	<u>4,776,000</u>	<u>(18,640,000)</u>
	<u><u>\$7,667,000</u></u>	<u><u>\$(2,756,000)</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1972

1. BASIS OF CONSOLIDATION

In consolidating the financial statements of Fraser Paper, Limited, which operated in the United States, U.S. dollars are expressed as an equal number of Canadian dollars.

2. TAXES ON INCOME

There are no Federal income taxes payable in respect of the year ended December 31, 1972 to either Canada or the United States. This results from the utilization of "loss carry-forward" provisions of the respective Acts (recognition to which was given in the accounts in prior years), and certain adjustments to capital cost allowances which the Company may claim when filing its income tax returns for 1972.

3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Aggregate remuneration to persons who served as Directors and Officers of Fraser Companies, Limited at any time during the year was as follows:

	Year Ended			
	December 31, 1972		January 1, 1972	
	15 Directors	16 Officers	15 Directors	17 Officers
Remuneration paid by:				
Fraser Companies, Limited	\$ 43,000	\$256,000	\$ 31,000	\$521,000
Fraser Paper, Limited	—	155,000	—	—
	<u>\$ 43,000</u>	<u>\$411,000</u>	<u>\$ 31,000</u>	<u>\$521,000</u>

4. INVENTORIES

Inventories are valued at cost or net realizable value, whichever is lower and consist of:

	December 31, 1972	January 1, 1972
Pulpwood and logs, including advances	\$ 1,918,000	\$ 4,881,000
Raw materials and supplies	4,930,000	4,563,000
Goods in process and finished products	2,641,000	3,105,000
	<u>\$ 9,489,000</u>	<u>\$12,549,000</u>

5. STOCK PURCHASE PLAN

Pursuant to the provisions of the stock purchase plan whereby shares may be issued for the account of certain employees at the discretion of the Board of Directors 500 common shares of the Company were issued to the Trustee during the year for a total consideration of \$6,488 (1971—2,500 shares for \$28,700). Payment for the shares issued under the plan is to be made by the said employees in instalments so that the aggregate purchase price will be paid within ten years. At December 31, 1972 the Trustee held 31,400 common shares as collateral for the unpaid balances remaining at that date.

6. FIXED ASSETS

	December 31, 1972	January 1, 1972
Plants and properties	\$162,763,000	\$161,645,000
Less: Accumulated depreciation	89,936,000	84,474,000
	<u>72,827,000</u>	<u>77,171,000</u>
Freehold and leasehold timber limits	10,945,000	10,951,000
Less: Accumulated depletion	10,436,000	10,402,000
	<u>509,000</u>	<u>549,000</u>
Net fixed assets	<u>\$ 73,336,000</u>	<u>\$ 77,720,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. EXPROPRIATION

During 1969 the Province of Quebec expropriated the Company's properties situated in that Province. It was the opinion of management that the offer of \$5,530,000 as contained in Orders-in-Council numbers 793 and 794 of the Province of Quebec was not sufficient compensation for the value of these properties. Agreement has now been reached between the negotiators acting for the Company and those acting for the Province as to the amount of compensation. This agreement is awaiting ratification by the Government of the Province. Accordingly, the effect of this expropriation has not been reflected in the books of account other than to record payments on account of principal of \$5,087,000 received to date and to provide for the interest receivable. As these timber limits, freehold lands and improvements have been held by the Company since its inception, a substantial gain over net book value will be realized when the transaction is finalized.

8. RETAINED EARNINGS

In accordance with provisions of the new Canadian Income Tax Act, the parent Company has approximately \$38,000,000 "1971 capital surplus on hand". At the discretion of the Board of Directors, dividends up to this aggregate amount which may be paid in future years may be deemed to be paid out of this "1971 capital surplus on hand". Should such a declaration be made then the gross amount of the dividend will be received by the shareholder free of Federal and Provincial income taxes. The amount so received will reduce the "average cost base" for purposes of calculation of capital gain should a subsequent disposition of shares of the Company be made.

AUDITORS' REPORT

The Shareholders, Fraser Companies, Limited.

We have examined the consolidated balance sheet of Fraser Companies, Limited and subsidiaries as at December 31, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Company and subsidiaries as at December 31, 1972 and the results of their operations and the source and application of funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

Touche Ross & Co.
Chartered Accountants.

Montreal, Que.
February 9, 1973.

TEN YEAR COMPARISON

FOR THE YEAR QUANTITIES SOLD	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Paper	322,771	195,049	221,278	241,734	212,306	203,243	215,313	202,956	185,928	180,098
Paperboard	29,118	28,154	27,505	27,998	24,053	24,407	24,369	22,298	21,158	20,437
Pulp	49,151	50,255	88,387	211,058	180,463	128,731	120,831	102,276	143,523	121,598
Lumber—M f.b.m.	57,153	52,507	39,016	33,033	20,616	27,435	26,781	30,337	31,343	32,733
(THOUSANDS OF DOLLARS)										
Net sales	\$ 90,926	\$ 62,639	\$ 73,730	\$ 91,327	\$ 76,568	\$ 70,681	\$ 72,412	\$ 66,586	\$ 64,844	\$ 61,862
U. S. exchange gain (loss)	(443)	311	1,410	3,733	3,133	2,889	3,083	2,931	3,071	2,696
Depreciation and depletion	6,233	5,211	3,755	5,798	5,854	5,462	6,555	4,992	4,893	4,887
Taxes on income	(685)	(5,648)	811	1,993	322	—	1,642	3,499	4,003	3,571
Net income (loss) from operations	(751)	(4,856)	2,614	4,403	1,161	127	3,680	5,811	5,238	4,202
Extraordinary items (net)	—	—	6,807	1,933	—	579	—	—	—	3,000
Net results for the year	(751)	(4,856)	9,421	6,336	1,161	706	3,680	5,811	5,238	7,202
Net additions to plants and properties	1,848	14,724	40,197	10,570	2,573	4,128	19,905	22,017	8,276	5,562
Bond debt at end of year	12,089	12,899	13,716	14,579	15,389	16,199	16,199	16,549	700	1,050
PER COMMON SHARE										
Net income (loss) from operations	(0.32)	(2.08)	1.12	1.90	0.50	0.06	1.65	2.61	2.35	1.89
Extraordinary items (net)	—	—	2.92	0.83	—	0.26	—	—	—	1.34
Net results for the year	(0.32)	(2.08)	4.04	2.73	0.50	0.32	1.65	2.61	2.35	3.23
Taxes on income	(0.29)	(2.42)	0.35	0.86	0.14	—	0.74	1.57	1.80	1.60
Dividends	0.10	0.15	0.90	0.65	0.10	0.60	1.40	1.40	1.40	1.40
Common shareholders' equity	28.89	29.31	31.56	28.45	26.41	26.44	26.73	26.47	25.26	24.31
Common shares outstanding at end of year	2,334,802	2,334,302	2,331,802	2,320,952	2,300,202	2,226,102	2,226,102	2,226,102	2,226,102	2,226,102

Note: Data applicable to Newcastle Mill, sold on January 22, 1970, is included in 1969 and prior years.

STOCK TRANSFER AGENT AND REGISTRAR

Montreal Trust Company

Montreal, P. Q.

Toronto, Ontario

Vancouver, B. C.

Saint John, N. B.

STOCK LISTED

Montreal Stock Exchange

Toronto Stock Exchange

THE ANNUAL MEETING

of the shareholders of Fraser
Companies, Limited will be held at
the general office of the Company at
Edmundston, N. B., on Friday, the
13th day of April, 1973, at the hour
of ten o'clock in the forenoon,
Atlantic Standard Time.

The text pages of this report were lithographed on
Parkhurst Offset—Vellum Finish—Basis 80 lb., a
product of Fraser Paper, Limited, Madawaska, Maine.

These are the products Fraser produces from renewable natural resources managed with the ultimate for environmental considerations

FRASER LUMBER

Mills:
Plaster Rock, New Brunswick
W. H. Miller Company, Limited
Kedgwick, New Brunswick
(a wholly-owned subsidiary)

Product:
Eastern Canadian Spruce

End Use:
Residential and commercial buildings

Market:
Eastern Canada and Eastern United States

Sales Office:
Edmundston, New Brunswick

FRASER PULP

Mills:
Atholville and Edmundston,
New Brunswick

Products:
Bleached and unbleached softwood
sulphite; and groundwood

Market:
North America and overseas

Sales Office:
Royal Bank of Canada Building
1 Place Ville Marie
Montreal 113, Quebec

FRASER PAPERBOARD

Mill:
Edmundston, New Brunswick

Products:
Coated and uncoated folding boxboard

End Uses:
Packaging for food, detergents,
cigarettes, frozen foods, pharmaceuticals,
pet foods, etc.

Market:
Canada

Sales Offices:
Royal Bank of Canada Building
1 Place Ville Marie
Montreal 113, Quebec

159 Bay Street, Toronto 1, Ontario

FRASER PAPER

Mills:
Fraser Paper, Limited
Madawaska, Maine
(a wholly-owned subsidiary)

Bond Papers:
Five paper machines and one
off-machine blade coater

Groundwood Printing Papers:
Three paper machines and one
off-machine blade coater

End Uses:
Papers for converting specialties,
commercial printing,
coated and uncoated publications

Market:
United States

Sales Offices:
2 Greenwich Plaza
Greenwich, Conn. 06830

2300 East Devon Avenue
Desplaines, Illinois 60018

Fraser Companies, Limited
Edmundston, N.B.

**NOTICE OF SPECIAL GENERAL AND
ANNUAL GENERAL MEETINGS OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that a Special General Meeting of shareholders of Fraser Companies, Limited will be held at the general office of the Company in Edmundston, New Brunswick, Canada, on Friday, the 21st day of April, 1972, at the hour of ten o'clock in the forenoon, Atlantic Standard Time, for the following purposes, that is to say:

To consider, and if deemed fit, to sanction and approve Special By-law II of the By-laws of the Company, decreasing the number of Directors of the Company from fourteen (14) to twelve (12).

AND NOTICE IS HEREBY FURTHER GIVEN that the said Meeting shall be constituted and continued as the Annual General Meeting of shareholders of the Company for the following purposes, that is to say:

To receive and consider the annual report of the directors, the financial statements of the Company and the auditors' report for the fiscal year ended January 1st, 1972;

To elect directors for the ensuing year;

To appoint auditors and to fix or to authorize the Board of Directors to fix their remuneration; and

To transact such other business as may properly come before the said Meeting.

If you are unable to attend in person, will you please date, complete, sign and return the enclosed instrument of proxy in the envelope provided for that purpose.

By Order of the Board of Directors,

B. W. Hicks,
Vice-President and Secretary.

March 22, 1972.

INFORMATION CIRCULAR

(dated as of March 22, 1972)

This Information Circular is furnished in connection with the solicitation of proxies for use at the Special and Annual General Meetings of shareholders of Fraser Companies, Limited (hereinafter called "the Company") to be held at the general office of the Company, Edmundston, New Brunswick, Canada, on Friday, April 21st, 1972, and at any adjournment thereof. In the event that you are unable to attend the meetings personally, you are requested to date, complete and sign the accompanying instrument of proxy and to return the same to the Company in time for use at the meetings. An addressed envelope with postage prepaid accompanies this Information Circular and may be used for such purpose.

Right of Revocation

A shareholder giving an instrument of proxy may revoke the same by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the Head Office of the Company, Plaster Rock, New Brunswick, or the general office of the Company, Edmundston, New Brunswick, at any time up to and including the last business day preceding the day of the meetings, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such meetings on the day of the meetings, or adjournment thereof.

Solicitation of Proxies

The enclosed instrument of proxy is solicited by the management of the Company. The management does not contemplate a solicitation of proxies otherwise than by use of the mails. The cost of solicitation will be borne by the Company.

Voting Shares and Principal Holders Thereof

There are outstanding 2,334,302 Common Shares without nominal or par value (hereinafter called "Common Shares") of the capital stock of the Company. Each Common Share entitles the holder thereof to one (1) vote per share.

The holders of Common Shares will be entitled to vote at the meetings and at any adjournment thereof if present or represented by proxy thereat.

Genstar Investment Limited (and its affiliates), The Harold Crabtree Foundation and Scotia Investments Limited (and its affiliates) are each holders of equity shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company. Genstar Investment Limited (and its affiliates) holds 302,305 Common Shares, The Harold Crabtree Foundation holds 290,000 Common Shares and Scotia Investments Limited (and its affiliates) holds 240,340 Common Shares, representing 12.95%, 12.42% and 10.29% respectively of the outstanding Common Shares.

Approval of Special By-Law II

The purpose of Special By-law II is to decrease the number of directors of the Company from fourteen (14) to twelve (12). Special By-law II was enacted by the Board of Directors of the Company on the 22nd day of February, 1972, and is to be submitted to the Special General Meeting for sanction and approval by the shareholders.

Election of Directors

The By-laws of the Company provide that the Board of Directors of the Company shall consist of fourteen (14) directors to be elected annually and, upon the sanction and approval of Special By-Law II, the Board of Directors shall consist of twelve (12) directors to be elected annually. The term of office of each director so elected expires upon the election of his successor unless he shall resign or his office becomes vacant by death, removal or other cause.

The following persons are proposed to be nominated for election as directors of the Company:

Nominees for Directors and Principal Occupation	Period of Service as Director	Approximate Number of Equity Shares of the Company Beneficially Owned, Directly and Indirectly
E. R. Alexander, Chairman of the Finance Committee of the Company; Vice-Chairman of the Board of Gaz Métropolitain Inc. (Natural Gas Company).	1960 to date	1,000 Common Shares
Ralph B. Brenan, Senior Vice-President of the Company, Member of the Executive Committee of the Board of the Company; Chairman of the Board of G. E. Barbour Co. Ltd. (Manufacturer and Distributor of Food Products).	1954 to date	12,000 Common Shares
Kenneth V. Cox, President of The New Brunswick Telephone Company, Limited (Public Utility).	1969 to date	200 Common Shares
H. Roy Crabtree, ⁽¹⁾ Chairman of the Board of the Company, Chairman of the Executive Committee of the Board of the Company, Trustee of the Stock Purchase Plan of the Company; Chairman and President of Wabasso Limited (Manufacturer of Textiles).	1956 to date	111,625 Common Shares
John E. L. Duquet, Q.C., Senior Partner of Duquet, MacKay, Weldon, Bronstetter & Johnston (Advocates, Barristers and Solicitors).	1963 to date	100 Common Shares
A. A. Franck, Member of the Executive Committee of the Board of the Company, Member of the Finance Committee of the Company; President of Genstar Limited (A diversified and multi-industrial product company in Canada and the United States).	1966 to date	1 Common Share
David J. Hennigar, Atlantic Regional Manager of Bruns Bros. and Denton Limited (Investment Dealers).	1969 to date	125 Common Shares
John J. Jodrey, ⁽²⁾ Member of the Finance Committee of the Company; President of Minas Basin Pulp and Power Company Limited (Manufacturer of Groundwood Pulp and Paperboard).	1970 to date	1,000 Common Shares
A. L. Penhale, Member of the Executive Committee of the Board of the Company, Trustee of the Stock Purchase Plan of the Company; Vice-Chairman of Asbestos Corporation Limited (Asbestos Fibres).	1960 to date	100 Common Shares
C. R. Recor, ⁽³⁾ President of the Company, Member of the Executive Committee of the Board of the Company.	January 1972	4,310 Common Shares
Frank H. Sobey, Member of the Executive Committee of the Board of the Company; Chairman of Sobey Stores Limited (Retailer of Food Products).	1963 to date	141,435 Common Shares
Edward C. Wood, Member of the Executive Committee of the Board of the Company, Trustee of the Stock Purchase Plan of the Company; Chairman of the Board of Genstar Limited (A diversified and multi-industrial product company in Canada and the United States); President of Edwood Ltd. (General Consultants).	1967 to date	2,100 Common Shares

(1) Mr. Crabtree's "associates" own 311,379 Common Shares, of which Wabasso Limited and The Harold Crabtree Foundation own 21,104 Common Shares and 290,000 Common Shares respectively.

(2) Mr. Jodrey's "associates" own 243,340 Common Shares, of which Minas Basin Pulp and Power Company, Limited, Annapolis Basin Pulp and Power Company, Limited and Parrsboro Lumber Co. Ltd. own 170,800 Common Shares, 22,540 Common Shares and 20,000 Common Shares respectively.

(3) C.R. Recor was elected President of the Company on January 6, 1972 and has been a Senior Officer of the Company since June 1968, prior to which from May 1963, Regional Manager with Beloit Corporation, Mobile, Alabama.

Remuneration of Directors and Officers

The following information is given for the last completed financial year of the Company ended January 1, 1972, with respect to all directors and officers of the Company as a group.

Aggregate direct remuneration paid by the Company:

To the Directors as such	\$ 30,600
To the Officers as such	\$480,360
Estimated aggregate cost to the Company and its Subsidiaries of all pension benefits	\$ 22,755
Aggregate amount of all remuneration payments other than payments reported above, proposed to be made in the future by the Company and its Subsidiaries pursuant to existing arrangements	\$ 41,049

No director, officer, proposed nominee for election as a director or associate of any of the foregoing is or has been indebted to the Company or its Subsidiaries at any time since the beginning of the last completed financial year of the Company. Under the Stock Purchase Plan of Fraser Companies, Limited dated as of July 2nd, 1968, the Company provided moneys to trustees with which to purchase Common Shares of the Company which are held for the benefit of certain employees of the Company upon the exercise of their rights. The aggregate amount owing by such employees to the trustees as at the date of this Information Circular, was \$1,063,085.24 of which approximately \$420,802.81 was owing by employees who were directors and/or officers of the Company.

The following information as to the grant of rights to purchase Common Shares of the Company and the exercise thereof is given for the period since the commencement of the last completed financial year of the Company ended January 1, 1972, with respect to the directors and officers of the Company as a group.

Period of Grant and Exercise in 1971 (1)	Number of Common Shares	Purchase Price per Share (2)	Price Range (3) High	Low
Fourth Quarter	2,500	\$11.48	13 $\frac{3}{4}$	11 $\frac{1}{2}$

(1) The rights to purchase were granted and exercised in the same calendar quarter pursuant to the Company's Stock Purchase Plan dated as of July 2nd, 1968.

(2) The purchase price was established in accordance with the provisions of the Stock Purchase Plan.

(3) Price range of Common Shares on Montreal Stock Exchange for the fourth calendar quarter.

Appointment of Auditors

Messrs. Touche Ross & Co. are the auditors of the Company and have held such position for a period in excess of the preceding five years. It is proposed by the management of the Company that such firm be reappointed the auditors of the Company.

Designation of Proxy

The persons named in the enclosed instrument of proxy have indicated to the Company their willingness to represent as proxy shareholders desiring to so appoint them. **If, however, a shareholder desires to appoint as proxy a person other than those designated, he should insert the name of his representative in the space provided therefor.** A person acting as proxy need not be a shareholder of the Company.

Voting of Shares Represented by Management Proxy

The shares represented by the instrument of proxy will be voted or withheld from voting, as the case may be, on any ballot that may be called for and, where the shareholder specifies a choice with respect to any matter for which a choice is provided, such shares shall be voted or withheld from voting in accordance with the specifications so made. Where a choice is not specified by the means provided in the instrument of proxy, **it is intended that the shares represented by the instrument of proxy in each such case will be voted in favour of each such matter.**

The enclosed instrument of proxy confers discretionary authority with respect to amendments or variations to matters identified in the Notice of meetings, or other matters that may properly come before the Annual General meeting. The management is not aware that any such amendments, variations or other matters are to be presented for action at such meetings.

By Order of the Board of Directors,
B. W. Hicks,
Vice-President and Secretary.

FRASER COMPANIES, LIMITED

General and Executive Offices
Edmundston, New Brunswick

Edmundston, N. B. — sulphite and groundwood
pulp mills, sulphite and kraft bleaching
plants, and paperboard mill

Atholville, N. B. — bleached sulphite pulp mill
Plaster Rock, N. B. — lumber mill and dressing
mill and dry kiln



FRASER PAPER, LIMITED

(Subsidiary Company)

Madawaska, Maine — paper mills manufac-
turing high grade papers from chemical
and groundwood pulps

W. H. MILLER COMPANY, LIMITED

(Subsidiary Company)

Kedgwick, N.B. — lumber mill and dressing
mill and dry kiln

This report is printed
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REPORT
TO THE
SHAREHOLDERS
OF
FRASER COMPANIES,
LIMITED
FOR
TWENTY-FOUR WEEKS
ENDED
JUNE 17, 1972

FRASER COMPANIES, LIMITED AND SUBSIDIARIES

TO THE SHAREHOLDERS:

Net sales for the first twenty-four weeks in 1972 were \$37,396,000 as compared with \$34,705,000 for the first twenty-four weeks in 1971.

The net loss for the twenty-four weeks amounted to \$1,218,000 or 52¢ per share compared with a net loss of \$1,379,000 or 59¢ per share for the first twenty-four weeks in 1971. The improvement over last year, while small, is encouraging and we expect it to continue.

Traditionally the Fine Paper segment of the forest products industry has been the last to improve during an upward turn and this again appears to be the case. Demand is now increasing for these grades, which represent about one-half our paper capacity, and selling prices started to improve this month. The pulp market continues to be soft and it was necessary to shut down the Atholville pulp mill for 71 days, primarily for inventory adjustment during the first twenty-four weeks.

Labor negotiations were recently completed covering employees in our Edmundston and Restigouche Woods Divisions.

Construction of the large new primary and secondary effluent treatment complex at the Edmundston mill is moving along and is expected to be completed by year-end.

C. R. Recor
President

Edmundston, N. B.
July 12, 1972

Twenty-Four Weeks Ended
June 17, 1972 June 19, 1971

CONSOLIDATED STATEMENTS OF INCOME		
Net sales	\$37,396,000	\$34,705,000
Cost of sales	34,516,000	32,888,000
Depreciation and depletion	2,806,000	2,227,000
Selling, general and administrative expense	2,086,000	2,685,000
	39,408,000	37,800,000
	(2,012,000)	(3,095,000)
Other income (expense):		
Interest income	59,000	444,000
Interest on long term debt	(273,000)	(292,000)
Interest on other indebtedness	(175,000)	(8,000)
Miscellaneous - net	58,000	194,000
	(331,000)	338,000
Income (loss) before taxes	(2,343,000)	(2,757,000)
Provision for taxes on income	(1,125,000)	(1,378,000)
Net income (loss) for the period	\$ (1,218,000)	\$ (1,379,000)
Net income (loss) per share	\$ (.52)	\$ (.59)

CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

SOURCE

Net income (loss) for the period	\$ (1,218,000)	\$ (1,379,000)
Depreciation and depletion	2,806,000	2,227,000
Deferred taxes on income	(1,125,000)	(1,378,000)
Cash flow from operations	463,000	(530,000)
Received for properties acquired by Quebec	2,000,000	1,427,000
	\$ 2,463,000	\$ 897,000

APPLICATION

Net additions and improvements to plants and properties	\$ 859,000	\$ 10,746,000
Bonds redeemable	810,000	810,000
Dividends	—	350,000
Deferred charges	481,000	1,837,000
Working capital increased (decreased)	2,150,000	13,743,000
	313,000	(12,846,000)
	\$ 2,463,000	\$ 897,000

The above figures are subject to audit and year-end adjustments.